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Independent Auditors' Report

Division of Retirement and Benefits and
Members of the Alaska Public Employees' Retirement Board
State of Alaska Public Employees' Retirement System:

We have audited the accompanying combining statements of plan net assets of the State of Alaska Public Employees' Retirement System (Plan), A Component Unit of the State of Alaska, as of June 30, 1999 and 1998, and the related combining statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combining financial statements referred to above present fairly, in all material respects, the plan net assets of the State of Alaska Public Employees' Retirement System, A Component Unit of the State of Alaska, as of June 30, 1999 and 1998, and the changes in plan net assets for the years then ended in conformity with generally accepted accounting principles.

The Year 2000 required supplementary information is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because of the nature of the subject matter underlying the disclosure requirements and because sufficiently specific criteria regarding the matters to be disclosed have not been established. In addition, we do not provide assurance that the Plan is or will become Year 2000 compliant, that the Plan's Year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Plan does business are or will become Year 2000 compliant.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The required supplementary information on pages 28 to 33 and additional information on pages 36 and 37 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the responsibility of the Plan's management, has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

September 24, 1999

KPMG LLP

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)**

**Combining Statements of Plan Net Assets
(000s omitted)**

June 30, 1999 and 1998

	1999			1998		
	Pension	Post-employment Healthcare	Total	Pension	Post-employment Healthcare	Total
Assets:						
Cash and cash equivalents (notes 3 and 4):						
Short-term fixed income pool	\$ 198	80	278	132	50	182
Receivables:						
Contributions	6,019	2,419	8,438	6,398	2,398	8,796
Retirement Incentive Program employer contributions (note 6)	10,666	4,285	14,951	12,621	4,730	17,351
Due from State of Alaska General Fund	611	246	857	-	-	-
Other accounts receivable	4	2	6	5	2	7
Total receivables	17,300	6,952	24,252	19,024	7,130	26,154
Investments, at fair value (notes 3 and 4):						
Domestic equity pool	2,531,046	965,106	3,496,152	2,199,358	895,215	3,094,573
Retirement fixed income pool	1,683,753	676,543	2,360,296	1,835,349	687,876	2,523,225
International equity pool	923,124	370,918	1,294,042	821,122	307,751	1,128,873
International fixed income pool	296,854	119,278	416,132	287,539	107,768	395,307
Real estate equity pool	224,024	90,014	314,038	151,969	56,957	208,926
External domestic fixed income pool	58,851	23,647	82,498	-	-	-
Emerging markets equity pool	58,274	23,416	81,690	48,041	18,005	66,046
Private equity pool	30,441	12,231	42,672	1,015	380	1,395
Total investments	5,806,367	2,281,153	8,087,520	5,344,393	2,073,952	7,418,345
Loans and mortgages, at fair value, net of allowance for loan losses of \$537 in 1999 and \$701 in 1998	242	97	339	464	174	638
Total assets	5,824,107	2,288,282	8,112,389	5,364,013	2,081,306	7,445,319
Liabilities:						
Accrued expenses	5,015	2,016	7,031	4,715	1,767	6,482
Due to State of Alaska General Fund	-	-	-	309	116	425
Alaska Department of Commerce settlement liability	-	-	-	10	4	14
Total liabilities	5,015	2,016	7,031	5,034	1,887	6,921
Net assets held in trust for pension and postemployment healthcare benefits	\$5,819,092	2,286,266	8,105,358	5,358,979	2,079,419	7,438,398

(Schedules of funding progress are presented on pages 28 and 29)

See accompanying notes to combining financial statements.

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Combining Statements of Changes in Plan Net Assets
(000s omitted)

Years ended June 30, 1999 and 1998

	1999			1998		
	Pension	Post-employment Healthcare	Total	Pension	Post-employment Healthcare	Total
Additions:						
Contributions:						
Employers	\$ 69,337	27,860	97,197	69,259	25,958	95,217
Employees	64,145	25,774	89,919	64,226	24,072	88,298
Retirement Incentive Program - Employers (note 6)	9,089	3,652	12,741	12,487	4,680	17,167
Retirement Incentive Program - Employees (note 6)	<u>511</u>	<u>205</u>	<u>716</u>	<u>697</u>	<u>261</u>	<u>958</u>
Total contributions	<u>143,082</u>	<u>57,491</u>	<u>200,573</u>	<u>146,669</u>	<u>54,971</u>	<u>201,640</u>
Investment income:						
Net appreciation in fair value of investments	353,388	141,994	495,382	495,745	185,802	681,547
Interest	142,501	57,258	199,759	136,978	51,339	188,317
Dividends	61,527	24,722	86,249	60,658	22,734	83,392
Net recognized mortgage loan recovery	<u>149</u>	<u>60</u>	<u>209</u>	<u>230</u>	<u>86</u>	<u>316</u>
	557,565	224,034	781,599	693,611	259,961	953,572
Less investment expense	<u>12,111</u>	<u>4,866</u>	<u>16,977</u>	<u>11,485</u>	<u>4,305</u>	<u>15,790</u>
Net investment income	545,454	219,168	764,622	682,126	255,656	937,782
Other	<u>3</u>	<u>1</u>	<u>4</u>	<u>5</u>	<u>2</u>	<u>7</u>
Total additions	<u>688,539</u>	<u>276,660</u>	<u>965,199</u>	<u>828,800</u>	<u>310,629</u>	<u>1,139,429</u>
Deductions:						
Benefits paid	215,170	64,486	279,656	195,544	55,165	250,709
Refunds to terminated employees	10,297	4,138	14,435	9,861	3,696	13,557
Administrative expenses	<u>2,959</u>	<u>1,189</u>	<u>4,148</u>	<u>2,124</u>	<u>796</u>	<u>2,920</u>
Total deductions	<u>228,426</u>	<u>69,813</u>	<u>298,239</u>	<u>207,529</u>	<u>59,657</u>	<u>267,186</u>
Net increase	460,113	206,847	666,960	621,271	250,972	872,243
Net assets held in trust for pension and postemployment healthcare benefits:						
Balance, beginning of year	<u>5,358,979</u>	<u>2,079,419</u>	<u>7,438,398</u>	<u>4,737,708</u>	<u>1,828,447</u>	<u>6,566,155</u>
Balance, end of year	<u>\$5,819,092</u>	<u>2,286,266</u>	<u>8,105,358</u>	<u>5,358,979</u>	<u>2,079,419</u>	<u>7,438,398</u>

See accompanying notes to combining financial statements.

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)**

**Notes to Combining Financial Statements
(000s omitted)**

June 30, 1999 and 1998

(1) DESCRIPTION

The following brief description of the State of Alaska Public Employees' Retirement System (Plan), A Component Unit of the State of Alaska, is provided for general information purposes only. Participants should refer to the Plan agreement for more complete information.

(a) General

The Plan is a defined benefit, agent, multiple employer public employee retirement system established and administered by the State of Alaska (State) to provide pension and postemployment healthcare benefits for eligible State and local government employees. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The Plan is considered a component unit of the State financial reporting entity and is included in the State's financial reports as a pension trust fund. The State employees who administer the Plan participate in the Plan.

At June 30, 1999 and 1998, the number of participating local government employers and public organizations including the State of Alaska was:

	<u>1999</u>	<u>1998</u>
State of Alaska	1	1
Municipalities	72	70
School districts	51	50
Other	<u>29</u>	<u>27</u>
Total employers	<u>153</u>	<u>148</u>

Inclusion in the Plan is a condition of employment for eligible State employees, except, as otherwise provided, for judges, elected officers, and certain employees of the Alaska Marine Highway System. Any local government in the State may elect to have its permanent general and police and fire department employees covered by the Plan. At June 30, 1998 and 1997, the dates of the most recent actuarial valuations, Plan membership consisted of:

	<u>1998</u>	<u>1997</u>
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to future benefits	<u>18,244</u>	<u>16,544</u>
Current employees:		
General	29,293	29,267
Police and fire	<u>2,617</u>	<u>2,587</u>
	<u>31,910</u>	<u>31,854</u>
	<u>50,154</u>	<u>48,398</u>
Current employees:		
Vested:		
General	17,335	17,695
Police and fire	<u>1,799</u>	<u>1,887</u>
Nonvested:		
General	11,958	11,572
Police and fire	<u>818</u>	<u>700</u>
	<u>31,910</u>	<u>31,854</u>

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)**

**Notes to Combining Financial Statements
(000s omitted)**

June 30, 1999 and 1998

(b) Pension Benefits

Employees hired prior to July 1, 1986, with five or more paid-up years of credited service are entitled to monthly pension benefits beginning at normal retirement age, fifty-five, or early retirement age, fifty. For employees first hired after June 30, 1986, the normal and early retirement ages are sixty and fifty-five, respectively. Employees with thirty or more years of credited service (twenty years for peace officers and firefighters) may retire at any age and receive a normal benefit.

The normal monthly pension benefit is based on years of service and average monthly compensation. For employees hired prior to July 1, 1996, the average monthly compensation is based upon the employees' three highest, consecutive years salaries. For employees hired after June 30, 1996, average monthly compensation is based upon the employees' five highest, consecutive years salaries.

The benefit related to all years of service prior to July 1, 1986, and for years of service through a total of ten years for general employees is equal to 2% of the employee's average monthly compensation for each year of service. The benefit for each year over ten years of service subsequent to June 30, 1986, is equal to 2 1/4% of the employee's average monthly compensation for the second ten years and 2 1/2% for all remaining years of service. For police and fire employees, the benefit for years of service through a total of ten years is equal to 2% of the employee's average monthly compensation and 2 1/2% for all remaining years of service.

Minimum benefits for employees eligible for retirement are \$25 per month for each year of credited service.

Married members must receive their benefits in the form of a joint and survivor annuity unless their spouses consent to another form of benefit or another person is eligible for benefits under a qualified domestic relations order (QDRO).

The Plan has two types of postretirement pension adjustments (PRPA). The automatic PRPA is issued annually to all eligible benefit recipients, when the cost of living increases in the previous calendar year. The automatic PRPA increase is paid beginning July 1 of each year. The discretionary PRPA may be granted to eligible recipients by the Plan Administrator, if the cost of living in the previous calendar year rises and the financial condition of the Plan permits. If both an automatic and discretionary PRPA are granted, and a retiree is eligible for both adjustments, the one that provides the retiree the greater increase will be paid.

(c) Postemployment Healthcare Benefits

Major medical benefits are provided to retirees without cost for all employees hired before July 1, 1986. Employees hired after July 1, 1986, with five years of credited service (or ten years of credited service for those first hired after July 1, 1996) must pay the full monthly premium if they are under age sixty, must pay half of the monthly premium if they are over age sixty but under age sixty-five, and receive benefits at no cost if they are over age sixty-five.

(Continued)

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)**

**Notes to Combining Financial Statements
(000s omitted)**

June 30, 1999 and 1998

Prior to July 1, 1997, postemployment healthcare benefits were provided by the payment of premiums to an insurance company. Beginning July 1, 1997, the Retiree Health Fund (RHF), an internal service fund of the State, was established. The RHF is self-funded and provides major medical coverage to retirees of the Plan. Retirees of three other State retirement plans also participate in the RHF. The Plan, along with the other participating plans, retains the risk of loss of allowable claims. Each year, RHF issues a publicly available financial report which may be obtained by writing to the State of Alaska, Department of Administration, Division of Retirement and Benefits, P.O. Box 110203, Juneau, Alaska, 99811-0203 or by calling (907) 465-4460.

(d) Death Benefits

If an active employee dies from occupational causes, the spouse may receive a monthly pension equal to 40% of the employee's salary. When death is due to occupational causes and there is no surviving spouse, the employee's dependent child(ren) may receive the monthly pension until they are no longer dependents. The amount of the occupational death pension changes on the date the employee's normal retirement would have occurred if the employee had lived. The new benefit is based on the employee's average monthly compensation at the time of death and the credited service, including service that would have accrued if the employee had lived and continued to work until normal retirement. If the death was from nonoccupational causes, and the employee was

vested, the spouse may receive a monthly survivor benefit based on a 50% joint and survivor option. If the employee is not married or vested, a lump sum death benefit is payable to the named beneficiary(ies).

(e) Disability Benefits

Active employees who become permanently disabled due to occupational or nonoccupational causes receive disability benefits until normal retirement age or when the service requirement for normal retirement is met. Although there is no minimum service requirements for employees to be eligible for occupational disability, employees must be vested to receive nonoccupational disability benefits. The monthly occupational disability benefit is equal to 40% of the employee's salary at the time of the disability. The nonoccupational disability benefit is based on the employee's service and salary at the time of disability. At normal retirement age, a disabled employee receives normal retirement benefits.

(f) Contributions

Employee Contributions

Contribution rates are 7.5% for peace officers and firefighters and 6.75% for other employees, as required by statute. The employee contributions are deducted before federal income tax is withheld. Contributions are collected by employers and remitted to the Plan and may be voluntarily or, under certain circumstances,

(Continued)

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)**

**Notes to Combining Financial Statements
(000s omitted)**

June 30, 1999 and 1998

involuntarily refunded to the employee or a garnishing agency sixty days after termination of employment. Employee contributions earn interest at the rate of 4.5% per annum, compounded semiannually.

Employer Contributions

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay both pension and postemployment healthcare benefits when due. Employer contribution rates are level percentages of payroll and are determined using the projected unit credit actuarial funding method. The Plan uses the level dollar method to amortize the unfunded liability or the funding surplus over a rolling twenty-five year period.

Administrative Costs

Administrative costs are financed through investment earnings.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The Plan's financial statements are prepared using the accrual basis of accounting. Contributions are recognized in the period in which they are due. Benefits and refunds are recognized when due and payable.

(b) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

(c) GASB Statements No. 25 and No. 26

GASB Statements No. 25 and No. 26 require that plan net assets be split between pension and postemployment healthcare. To meet these requirements, plan assets, liabilities, revenues and expenses not specifically identifiable to either plan are allocated to the pension and postemployment healthcare plans based on their proportionate share of actuarial accrued liabilities.

(d) Investments

Security transactions and any resulting gains or losses are accounted for on a trade date (ownership) basis.

Investments are recorded at fair value. Fair value is "the amount that a plan can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller—that is, other than in a forced or liquidation sale."

(Continued)

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)**

**Notes to Combining Financial Statements
(000s omitted)**

June 30, 1999 and 1998

Net appreciation (depreciation) is determined by calculating the change in the fair value of investments between the end of the year and the beginning of the year, less purchases of investments at cost, plus sales of investments at fair value.

Investment expense consists of those administrative expenses directly related to the Plan's investment operations.

Real estate investments include real estate equities, mortgage loans and other real estate acquired by foreclosure and judgments. Real estate equities are valued quarterly by public market quotations, where a quoted market exists, or by independent appraisers, and are periodically adjusted by trustees of the real estate equity funds when market conditions change. The cost of real estate equity securities is determined on the average cost basis. Mortgage loans are valued at their principal balance (cost) less an allowance for loan loss, the net result of which approximates fair value. The allowance for loan loss is considered by management to be sufficient to cover any losses to the mortgage loan portfolio. Real estate acquired by foreclosure and judgments is carried at estimated net realizable value.

Venture capital investments in the private equity pool are comprised of limited partnerships in privately held companies of which equity ownership is not traded on a national or international exchange. Investments in the private equity pool are valued quarterly by the general partners and investment sponsors. The private

equity oversight manager is held to a standard of reasonable care in verifying that the general partners' valuations reasonably reflect the underlying value of the investments. The cost of investments in the private equity pool is determined on the average cost basis.

The Plan holds shares, rather than specific securities, in the emerging markets equity pool, a closed-end mutual fund-like commingled equity investment pool. Underlying securities within the pool are priced on the last business day of each week and each month. Equity securities are valued using the last reported sale price on the exchange on which the securities are traded as of the close of business on the day the securities are being valued, or, in the absence of any sales price, at the last reported bid price. Fixed income securities are valued at prices obtained from a bond pricing service when such prices are available; otherwise, such securities are valued at the mid-point between the bid and asked price or at prices for securities of comparable maturity, quality, and type. Short-term securities with 60 days or less to maturity are amortized to maturity based on cost. Securities expressed in terms of foreign currencies are translated into U.S. dollars at the prevailing market rates. Forward currency contracts are valued at the mid-point of representative quoted bid and asked prices. Securities and assets for which representative market quotations are not readily available are valued at fair value as determined in good faith under policies approved by the commingled equity fund's board of directors.

(Continued)

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)**

**Notes to Combining Financial Statements
(000s omitted)**

June 30, 1999 and 1998

The fair value of all other debt and equity securities is determined by the custodial agent daily. The custodian determines fair value using pricing services or prices quoted by one or more independent brokers. Equity securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates, if applicable. Fair value of debt securities has been established as the midpoint between the bid and asked prices. The cost of debt and equity investments is determined on the average cost basis.

(e) Contributions Receivable

Contributions from employees and employers for service through June 30 are accrued. These contributions are considered fully collectible and, accordingly, no allowance for uncollectible receivables is reflected in the financial statements.

(f) Federal Income Tax Status

The Plan purports to be a qualified plan under Section 401(a) of the Internal Revenue Code and is exempt from federal income taxes under Section 501(a).

(3) INVESTMENTS

The Governmental Accounting Standards Board (GASB) Statement No. 3 requires a disclosure regarding custodial credit risk to indicate the chance of loss in the event a financial institution or third party holding the Plan's securities fails. Those investments

represented by specific, identifiable securities are classified into three categories of credit risk:

Category 1 - Insured or registered, or securities held by the State or its custodian in the State's name;

Category 2 - Uninsured or unregistered, with securities held by the counterparty's trust department (if a bank) or agent in the State's name; and

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department (if a bank) or agent, but not in the State's name.

Category 1 is the highest level of safekeeping security as defined by GASB.

At June 30, 1999 and 1998, the Plan's cash and cash equivalents and investments other than mortgage-related assets are represented by participation in investment pools rather than specific, identifiable securities. Although pooled investments represent the Plan's share of ownership in the pool rather than ownership of specific securities, all of the underlying securities in the pools in which the Plan participates are considered to be Category 1 as defined by GASB Statement No. 3, except: (A) investments in the mutual fund-like emerging markets equity pool which are considered to be Category 2, and (B) shares in the private equity pool and the real estate equity pool which, like the Plan's mortgage-related assets, are not transferable financial instruments and therefore cannot be categorized with regard to custodial credit risk.

(Continued)

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)**

**Notes to Combining Financial Statements
(000s omitted)**

June 30, 1999 and 1998

The cost and fair value of the Plan's investments at June 30, 1999 and 1998 are as follows:

	<u>Cost</u>	<u>Fair Value</u>
1999:		
Domestic equity pool	\$ 2,507,119	3,496,152
Retirement fixed income pool	2,423,289	2,360,296
International equity pool	1,175,163	1,294,042
International fixed income pool	438,192	416,132
Real estate equity pool	291,282	314,038
External domestic fixed income pool	81,772	82,498
Emerging markets equity pool	87,970	81,690
Private equity pool	<u>44,567</u>	<u>42,672</u>
	<u>7,049,354</u>	<u>8,087,520</u>
Loans and mortgages, net of allowance for loan losses of \$537	<u>339</u>	<u>339</u>
	<u>\$ 7,049,693</u>	<u>8,087,859</u>
1998:		
Domestic equity pool	\$ 2,298,010	3,094,573
Retirement fixed income pool	2,455,504	2,523,225
International equity pool	1,119,749	1,128,873
International fixed income pool	410,852	395,307
Real estate equity pool	232,377	208,926
Emerging markets equity pool	86,934	66,046
Private equity pool	<u>1,395</u>	<u>1,395</u>
	<u>6,604,821</u>	<u>7,418,345</u>
Loans and mortgages, net of allowance for loan losses of \$701	<u>638</u>	<u>638</u>
	<u>\$ 6,605,459</u>	<u>7,418,983</u>

(Continued)

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)**

**Notes to Combining Financial Statements
(000s omitted)**

June 30, 1999 and 1998

During 1999 and 1998, the Plan's investments (including investments bought, sold, as well as held during the year) appreciated (depreciated) in value as follows:

	<u>1999</u>	<u>1998</u>
Investments measured by quoted fair values in an active market:		
Domestic equity pool	\$ 453,212	553,294
Retirement fixed income pool	(116,772)	97,716
International equity pool	139,216	(29,901)
International fixed income pool	(5,480)	(20,413)
Real estate equity pool	11,682	7,991
Emerging markets equity pool	14,608	(36,573)
Global equity pool	-	101,343
Tactical asset allocation pool	-	8,090
External domestic fixed income pool	811	-
Private equity pool	(1,895)	-
	<u>\$ 495,382</u>	<u>681,547</u>

Based on the Plan's percentage of ownership in each investment pool as of June 30, 1999 and 1998, the Plan held no individual investments which exceeded 5% of net assets held in trust for pension and postemployment healthcare benefits.

The Alaska State Pension Investment Board (ASPIB) has statutory oversight of the Plan's investments and the authority to invest the Plan's monies. As the fiduciary, ASPIB has the

statutory authority to invest the assets under the Prudent Investor Rule. Alaska Statute provides that investments shall be made with the judgment and care under circumstances then prevailing that an institutional investor of ordinary professional prudence, discretion and intelligence exercises in managing large investment portfolios. Actual investing is performed by the investment officers of the Treasury Division of the Department of Revenue or by contracted external investment managers.

(Continued)

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)**

**Notes to Combining Financial Statements
(000s omitted)**

June 30, 1999 and 1998

(4) POOLED INVESTMENTS

(a) Short-Term Fixed Income Pool

The Plan, along with other State funds and retirement systems, participates in an internally managed short-term fixed income pool, which was established March 15, 1993, with a start up unit price of \$1 per share. Each participant owns shares in the pool, the number of which fluctuates daily with contributions, withdrawals and income. A share price of \$1 is maintained, giving each participant one share for every dollar invested in the short-term fixed income pool. The assets of the short-term fixed income pool are comprised of money market instruments, U.S. Treasuries, U.S. Government agency and sponsored securities, mortgage- and asset-backed securities, and collateralized mortgage obligations, as well as corporate and other U.S. dollar denominated bonds. At June 30, 1999 and 1998, the Plan has a .02% direct ownership in the short-term fixed income pool totaling \$278 and \$182, respectively. These amounts include interest receivable of \$17 and \$30 respectively.

(b) Domestic Equity Pool

The Plan, along with three other State retirement systems, participates in an externally managed domestic equity pool. The pool was established July 1, 1991, with a start up unit price of \$1,000 per share. All income, including interest, dividends, and realized and unrealized gains and losses, is allocated monthly to each participant on a pro rata ownership basis and is reinvested.

At June 30, 1999 and 1998, the Plan's investment in the domestic equity pool totaled 65.65% and 65.13%, respectively, and consisted of the following:

	<u>1999</u>	<u>1998</u>
Domestic equity securities	\$3,359,272	2,989,675
Available cash held in the short-term fixed income pool and other short-term debt instruments	142,321	117,415
Net payables	<u>(5,441)</u>	<u>(12,517)</u>
	<u>\$3,496,152</u>	<u>3,094,573</u>

(c) Retirement Fixed Income Pool

The Plan, along with three other State retirement systems, participates in an internally managed retirement fixed income pool. The pool was established March 1, 1996, with a start up unit price of \$1,000 per share. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of units of the pool outstanding on the valuation date. Ownership in the pool is based on the number of shares held by each participant. Contributions to and withdrawals from the pool are based on the net asset value per share on the date of the transaction.

(Continued)

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)**

**Notes to Combining Financial Statements
(000s omitted)**

June 30, 1999 and 1998

At June 30, 1999 and 1998, the Plan's investment in the retirement fixed income pool totaled 65.38% and 65.49%, respectively, and consisted of the following:

	<u>1999</u>	<u>1998</u>
Corporate	\$ 776,701	\$ 828,188
U.S. Treasury	768,072	677,399
Federal agencies and U.S. Government sponsored	288,253	477,605
Mortgage related	196,976	199,057
Asset backed	24,662	-
Yankees	245,223	291,058
Available cash held in the short-term fixed income pool	10,971	1,893
Net receivables	<u>49,438</u>	<u>48,025</u>
Total	<u>\$2,360,296</u>	<u>2,523,225</u>

(d) International Equity Pool

The Plan, along with three other State retirement systems, participates in an externally managed international equity pool. The pool was established January 1, 1992, with a start up unit price of \$1,000 per share. Each manager may independently determine the allocation between equities and short-term debt instruments. All income, including interest, dividends, and realized and unrealized gains and losses, is allocated monthly to each participant on a pro rata ownership basis and is reinvested.

At June 30, 1999 and 1998, the Plan's investment in the international equity pool totaled 65.17% and 64.42%, respectively, and consisted of the following:

	<u>1999</u>	<u>1998</u>
International equity securities	\$1,236,448	1,055,153
Available cash held in short-term debt instruments and foreign currency	51,150	68,585
Net receivables	<u>6,444</u>	<u>5,135</u>
	<u>\$1,294,042</u>	<u>1,128,873</u>

(e) International Fixed Income Pool

The Plan, along with one other State retirement system, participates in an externally managed international fixed income pool. The pool was established March 3, 1997, with a start up unit price of \$1,000 per share. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of units of the pool outstanding on the valuation date. Ownership in the pool is based on the number of shares held by each participant. Contributions to and withdrawals from the pool are based on the net asset value per share on the day of the transaction.

(Continued)

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)**

**Notes to Combining Financial Statements
(000s omitted)**

June 30, 1999 and 1998

At June 30, 1999 and 1998, the Plan's investment in the international fixed income pool totaled 65.62% and consisted of the following:

	<u>1999</u>	<u>1998</u>
Foreign corporate securities	\$400,002	379,482
Available cash held in short-term debt instruments	6,198	5,755
Net receivables	<u>9,932</u>	<u>10,070</u>
	<u>\$416,132</u>	<u>395,307</u>

(f) Real Estate Equity Pool

The Plan, along with one other State retirement system, participates in an externally managed real estate equity pool. The pool was established June 27, 1997, with a start up unit price of \$1 per share. Ownership in the pool is based on the number of shares held by each participant. Contributions to and withdrawals from the pool are based on the net asset value per share on the day of the transaction. All income, including interest, income from operations, and realized and unrealized gains and losses, is allocated monthly to each participant on a pro rata ownership basis. All income is reinvested except for cash distributions which are transferred to the retirement fixed income pool based on a pro rata ownership in the originating pool. At June 30, 1999 and 1998, the Plan has a 65.57% and 65.61% direct ownership in the real estate equity pool totaling \$314,038 and \$208,926, respectively.

(g) External Domestic Fixed Income Pool

The Plan, along with three other State retirement funds, participates in an externally managed domestic fixed income pool. The pool was established June 25, 1999, with a start up unit price of \$1,000 per share. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of units of the pool outstanding on the valuation date. Ownership in the pool is based on the number of shares held by each participant. Contributions to and withdrawals from the pool are based on the net asset value per share on the day of the transaction.

At June 30, 1999, the Plan's investment in the external domestic fixed income pool totaled 65.33% and consisted of the following:

	<u>1999</u>
Corporate	\$ 3,787
U.S. Treasury	37,016
Federal agency	2,981
Mortgage related	23,088
Available cash held in short-term debt instruments	41,165
Net payables	<u>(25,539)</u>
	<u>\$ 82,498</u>

(h) Emerging Markets Equity Pool

The Plan, along with one other State retirement system, participates in an emerging markets

(Continued)

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)**

**Notes to Combining Financial Statements
(000s omitted)**

June 30, 1999 and 1998

equity pool. The pool was established May 2, 1994, with a start up unit price of \$1,000 per share. The pool participates in two externally managed commingled investment funds through ownership of equity shares. The commingled funds, comprised of various institutional investors, invest in the equity markets of developing countries. At June 30, 1999 and 1998, the Plan has a 65% ownership in the pool totaling \$81,690 and \$66,046, respectively.

(i) Private Equity Pool

The Plan, along with one other State retirement system, participates in an externally managed private equity pool. The pool was established April 24, 1998, with a start up unit price of \$1,000 per share. Ownership in the pool is based on the number of shares held by each participant. Underlying assets in the pool are composed of venture capital, buyouts, and special situation investments through limited partnership agreements. Contributions to and withdrawals from the pool are based on the net asset value per share on the day of the transaction. All income, including interest and realized and unrealized gains and losses, is allocated monthly to each participant on a pro rata ownership basis and is reinvested. At June, 30, 1999 and 1998, the Plan has a 65.50% and 65.51% direct ownership in the private equity pool totaling \$42,672 and \$1,395, respectively.

(j) Global Equity Pool

The Plan, along with three other State retirement systems, participated in an externally managed global equity pool. The pool was

established October 1, 1996, with a start up unit price of \$1,000 per share. Each manager independently determined the allocation between domestic and international equities. All income, including interest, dividends, and realized and unrealized gains and losses on securities and currency was allocated monthly to each participant on a pro rata ownership basis and was reinvested. The global equity pool was disaggregated on April 1, 1998; assets were transferred to their respective domestic and international equity pools.

(k) Tactical Asset Allocation Pool

The Plan, along with three other State retirement systems, participated in an externally managed tactical asset allocation pool. The pool was established July 1, 1996, with a start up unit price of \$1,000 per share. The manager independently determined the allocation between equities and fixed income securities. All income, including interest, dividends, and realized and unrealized gains and losses, was allocated monthly to each participant on a pro rata ownership basis and was reinvested. The tactical asset allocation pool closed on December 31, 1997.

**(5) FOREIGN EXCHANGE CONTRACTS
AND OFF-BALANCE SHEET RISK**

The Plan, through its investment in the international equity pool and international fixed income pool, entered into foreign currency forward contracts to buy and sell specified amounts of foreign currencies at specified rates on specified future dates for the purpose of hedging

(Continued)

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)**

**Notes to Combining Financial Statements
(000s omitted)**

June 30, 1999 and 1998

existing security positions in these currencies. The maturity periods for these contracts range from one to three months. The Plan had net unrealized gains with respect to such contracts, calculated using forward rates at June 30, as follows:

	<u>1999</u>	<u>1998</u>
Net contract sales	\$ 26,529	37,727
Less: fair value	<u>26,219</u>	<u>36,816</u>
Net unrealized gains on contracts	<u>\$ 310</u>	<u>911</u>

The counterparties to the foreign currency forward contracts consist of a diversified group of financial institutions. The Plan is exposed to credit risk to the extent of nonperformance by these counterparties; however, the Plan considers the risk of default to be remote. The Plan's market risk is limited to the difference between contractual rates and forward rates at the balance sheet date.

(6) RETIREMENT INCENTIVE PROGRAM

House Bill 354 (Chapter 65, SLA 96) was passed on June 18, 1996, and provides for a retirement incentive program (RIP or program) for members of school district employers and employees of Mt. Edgecombe and the Alaska Vocational Technical Center. The RIP encourages eligible employees to retire up to three years earlier than they had planned as a cost savings to the employer. The incentive program may be implemented if the program will produce an overall

cost savings to the employer. The application and retirement deadlines are determined by the employer when they establish a program. The original application period for employees under House Bill 354 was June 30, 1996, through December 31, 1996. During fiscal year 1997, Senate Bill 130 (Chapter 92, SLA 97) was passed which amended the original program. Senate Bill 130 allows for additional application periods on an "as needed basis" anytime through June 30, 1999.

Senate Bill 1003 (Chapter 4, FSSLA 96) was passed on June 28, 1996, and provides for a RIP for employees of the State of Alaska, the University of Alaska, and all employers other than school districts. Under this legislation, the State of Alaska and University of Alaska can open a RIP application period on an "as needed basis" anytime between July 18, 1996, and June 30, 1999. The program was designed to allow State of Alaska agencies to use the RIP in a strategic, targeted approach tailored to the specific budget and personnel situation of each agency. Some State of Alaska agencies may determine that the RIP is not cost-effective for their agency and elect not to participate in the RIP. Other agencies may offer the RIP only in divisions or job classifications facing budget reductions or position cuts.

Employers who participate in either of the RIP programs are required to reimburse the Plan for the actuarial equivalent of the difference between the benefits each employee receives after the addition of the retirement incentive under the program and the amount the employee

(Continued)

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)**

**Notes to Combining Financial Statements
(000s omitted)**

June 30, 1999 and 1998

would have received without the incentive, less any amount the employee was indebted as a result of retiring under the program. Reimbursements from employers are due in minimum equal annual installments so that the entire balance is paid within three years after the end of the fiscal year in which each employee retires. Employers are also required to reimburse the Plan for the estimated costs of administering the program. The Plan establishes a receivable for employer reimbursements and administrative costs as employees retire. During fiscal years 1999 and 1998, the Plan recognized \$12,741 and \$17,167, respectively, of additions to plan net assets for contributions from employers for required reimbursements under the RIP.

When employees terminate employment to participate in the program, they are indebted to the Plan for the following percentages of their annual compensation for the calendar year in which they terminate:

Police and fire members	22.50%
Other members	20.25%

Any outstanding indebtedness at the time an employee is appointed to retirement results in an actuarial adjustment of his/her benefit amount. During fiscal years 1999 and 1998, the Plan recognized \$716 and \$958, respectively, of additions to plan net assets for contributions from employees related to the RIP.

(Continued)

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)**

**Required Supplementary Schedule
June 30, 1999 and 1998**

**Schedule of Funding Progress
Pension Benefits
(000s omitted)**

Actuarial valuation year ended June 30	Actuarial value of plan assets	Actuarial accrued liabilities (AAL)	Unfunded actuarial accrued liabilities (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
1993	\$2,828,207	2,963,975	135,768	95.4%	\$1,135,889	12.0%
1994	3,201,321	3,377,405	176,084	94.8%	1,176,997	15.0%
1995	3,485,042	3,613,271	128,229	96.5%	1,188,044	10.8%
1996	3,804,973	3,594,706	(210,267)	105.8%	1,221,866	(17.2)%
1997	4,287,497	4,031,527	(255,970)	106.3%	1,299,135	(19.7)%
1998	4,692,095	4,430,237	(261,858)	105.9%	1,235,439	(21.2)%

See notes to required supplementary schedules.

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)**

**Required Supplementary Schedule
June 30, 1999 and 1998**

**Schedule of Funding Progress
Postemployment Healthcare Benefits
(000s omitted)**

Actuarial valuation year ended June 30	Actuarial value of plan assets	Actuarial accrued liabilities (AAL)	Unfunded actuarial accrued liabilities (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
1993	\$1,108,569	1,161,786	53,217	95.4%	\$1,135,889	4.7%
1994	1,177,984	1,242,777	64,793	94.8%	1,176,997	5.5%
1995	1,309,712	1,357,901	48,189	96.5%	1,188,044	4.1%
1996	1,466,280	1,385,252	(81,028)	105.8%	1,221,866	(6.6)%
1997	1,597,991	1,502,589	(95,402)	106.3%	1,299,135	(7.3)%
1998	1,879,467	1,773,754	(105,713)	105.9%	1,235,439	(8.6)%

See notes to required supplementary schedules.

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)**

**Required Supplementary Schedule
June 30, 1999 and 1998**

**Schedule of Employer Contributions
Pension and Postemployment Healthcare Benefits
(000s omitted)**

Year ended June 30	Pension annual required contribution	Postemployment healthcare annual required contribution	Total annual required contribution	Pension percentage contributed	Postemployment healthcare percentage contributed	Total percentage contributed
1994	\$109,508	43,794	153,302	100%	100%	100%
1995	114,063	42,382	156,445	100%	100%	100%
1996	107,058	40,582	147,640	100%	100%	100%
1997	104,409	40,454	144,863	100%	100%	100%
1998	69,259	25,958	95,217	100%	100%	100%
1999	70,176	27,021	97,197	100%	100%	100%

See notes to required supplementary schedules.

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)**

Notes to Required Supplementary Schedules

June 30, 1999 and 1998

(1) DESCRIPTION OF SCHEDULE OF FUNDING PROGRESS

Each time a new benefit is added which applies to service already rendered, an "unfunded actuarial accrued liability" is created. Laws governing the Plan require that these additional liabilities be financed systematically over a period of future years. Also, if actual financial experiences are less favorable than assumed financial experiences, the difference is added to the unfunded actuarial accrued liability.

In an inflationary economy, the value of the dollar is decreasing. This environment results in employee pay increasing in dollar amounts resulting in unfunded actuarial accrued liabilities increasing in dollar amounts, all at a time when the actual value of these items, in real terms, may be decreasing.

(2) ACTUARIAL ASSUMPTIONS AND METHODS

The actuarial valuation is prepared by William M. Mercer, Incorporated. The significant actuarial assumptions used in the valuations as of June 30, 1998, are as follows:

- (a) Actuarial cost method - projected unit credit, unfunded accrued benefit liability, or funding surplus amortized over a rolling twenty-five year period.
- (b) Mortality basis - 1984 Unisex Pension Mortality Table set forward one year for male and police/fire members, and set backward four years for female members. Deaths are assumed to be occupational 85% of the time for police and fire members and 35% for other members.
- (c) Retirement age - retirement rates based on the 1991-1995 actual experience.
- (d) Investment return - 8.25% per year, compounded annually, net of expenses.
- (e) Health cost trend - FY98 10.5%, FY99 9.5%, FY00 8.5%, FY01 7.5%, FY02 6.5%, FY03 5.5%, FY04-FY08 5.0%, and 4.5% for FY09 and thereafter.
- (f) Salary scale - inflation 4.0%, productivity 0.5%, merit (first five years) 1.0%, for a total of 5.5% per annum.
- (g) Inflation - total inflation as measured by the Consumer Price Index for urban and clerical workers for Anchorage is assumed to increase 4% annually.
- (h) Cost of living allowance (domicile in Alaska) - 71% of those benefit recipients who are eligible for the allowance are assumed to remain in Alaska and receive the allowance.
- (i) Contribution refunds - 100% of those employees terminating after age thirty-five with five or more years of service will leave their contributions in the Plan and thereby retain their deferred vested benefit. All others who terminate are assumed to have their contributions refunded.
- (j) Turnover and disability assumptions are based upon the 1991-1995 actual experience of the Plan. Post-disability mortality in accordance with rates published by the Pension Benefit Guaranty Corporation to reflect mortality of those receiving disability

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)**

Notes to Required Supplementary Schedules

June 30, 1999 and 1998

benefits under Social Security Disabilities are assumed to be occupational 85% of the time for police and fire members and 35% for other members.

- (k) Asset valuation method - No asset gain or loss for the fiscal year is recognized if the expected actuarial value of assets plus (minus) any deferred gains (losses) is within a 5% corridor of the market value of assets. Any amount outside this 5% corridor is set aside and applied to the employer rate as a level percentage of pay over the next twenty years. The gain (loss) amount that is set aside is not expected to be offset by any future gains (losses). If this is not the case, the method is restarted.
- (l) Valuation of medical benefits for retirees - a pre-age sixty-five cost and lower post-age sixty-five cost (due to Medicare) are assumed such that the total rate for all retirees equals the present premium rate assumption. These medical premiums are then increased with the health cost inflation assumption.
- (m) 102% target funding ratio - The target unfunded (surplus) accrued liability is determined by first reducing the actuarial value of assets by 2.296% and calculating the resulting unfunded (surplus) accrued liability. This unfunded (surplus) liability is then loaded by 6% to account for the 2-year delay in employer contributions. Both of these factors are determined empirically from the actuarial projection valuation. This

target unfunded accrued liability (surplus) is then added to the actuarial value of assets to determine the target accrued liability. This target accrued liability is the basis for the determination of the employer contribution rate before the rate is adjusted for the deferred gains or losses outside the 5% corridor as discussed above.

- (n) Spouse's age - Wives are assumed to be four years younger than husbands.
- (o) Dependent children - Benefits to dependent children have been valued assuming members who are not single have one dependent child.
- (p) Post-retirement pension adjustment - 50% and 75% of assumed inflation is valued for the automatic Post-Retirement Pension Adjustment (PRPA).
- (q) Expenses - Expenses are covered in the investment return assumption.
- (r) Marital status - 75% of participants are assumed to be married.

The assumptions and methods, when applied in combination, fairly represent past and anticipated future experience of the Plan. The foregoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated benefits.

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)**

Notes to Required Supplementary Schedules

June 30, 1999 and 1998

All significant accounting policies, benefit provisions, and actuarial assumptions are the same for the required supplementary information and the financial statements except as follows:

Effective June 30, 1994, there was a change in the economic actuarial assumptions and asset valuation method. The total inflation assumption was changed from 5% to 4% annually. This affected the economic assumptions, including investment return, salary scale, and health cost trend. The revised asset valuation method smoothes the difference between expected investment return and actual return during a given year by spreading the results over five years by recognizing 20% of the investment gain or loss in each of the current and preceding four years.

Effective June 30, 1996, the investment return was increased from 8% to 8.25% per year. Retirement, turnover, and disability assumptions were revised based on actual experience in 1991-1995. In addition, the amortization period for funding surpluses was changed from five years to a rolling twenty-five year period.

Effective June 30, 1998, the following changes were made:

- The health cost trend assumption was changed.
- The asset valuation method was changed.
- The target funding ratio was changed.

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)**

**Required Supplementary Information
Year 2000 (Unaudited)**

June 30, 1999 and 1998

The Year 2000 issue, in general, involves shortcomings in many data processing systems that could cause systems to shut down or to miscalculate certain information connected to date values. Year 2000 readiness is critical to the Plan and its members. The data processing systems the Plan depends on must be able to operate in the Year 2000 and the future as they do currently.

The Plan has made a review of its systems that can be affected and are necessary to the conduct of the Plan's operations.

The Plan depends on several types of data processing systems, of which there are many.

(a) Internal Systems

These are systems that the Plan uses internally, *directly under its control*, to process data it has received (employee indicative data, payroll contributions, account summary information, web applications, etc.) and to pass on data to other systems that process it further (contribution information, indicative data changes, distribution authorizations, etc.).

(b) External Systems

These are systems that the Plan depends on, *NOT under the direct control of the Plan*, that send member information to the Plan (state and political subdivision payroll information and indicative data, etc.), systems that handle the transfer of data (networks and centralized data processing systems outside the control of the division), systems that perform various functions for members (detailed statement accounting,

investment transactions, etc.), and general systems such as the nationwide banking system that everyone depends on.

In turn, these outsource operators are further dependent on other providers they must interact with that are NOT under their direct control (fund managers, custodians, etc.).

(c) General Infrastructure Systems

These are systems that the Plan and External providers depend on, *NOT under the direct control of the Plan*, that allow both of the system types indicated above to operate. They include electrical, telephone, internet, postal, and other utilities.

Several detailed processes have been used to achieve Year 2000 readiness. Since the Plan has no control over General Infrastructure components it has conducted its Year 2000 assessment and remediation process assuming the infrastructure components to be in working order for Year 2000 purposes:

- Awareness Stage—The Plan established a project plan for dealing with Year 2000 issues. Expenditures in conjunction with the correcting Year 2000 issues are expensed as incurred and have not been, nor are they expected to be, material to the Plan's financial statements.
- Assessment Stage—Inventories were made of the various system components (both Internal and External) and identified by those that are mission critical and must be Year 2000 ready.

(Continued)

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)**

**Required Supplementary Information
Year 2000 (Unaudited)**

June 30, 1999 and 1998

- Remediation Stage
 - 1 For Internal systems—mission critical components were tested by Plan employed personnel or contractors and the extent and type of repair was determined, if found necessary.
 - 2 For External systems—the Plan depends on assurances from outside organizations that are responsible for such systems.

- Validation/Testing Stage—The Plan has conducted specific tests to determine Year 2000 readiness. Programs and systems were converted and renovated to fix existing problems. The Year 2000 changes were also moved into production.

For Internal systems, personnel or contractors under the Plan's direct control conducted such testing and validation. In the case of External systems—the Plan depends on assurances from the organizations that are responsible for those systems. However, specific test files which contained Year 2000 test data were submitted by the Plan to the outsource organization to determine their Year 2000 readiness.

- Contingency Planning—In the unlikely event a Year 2000 related interruption of the Plan's systems does occur, prepared contingency plans, for systems under the plans control, will be activated to minimize impacts on Plan operations.

The Plan is expected to transition successfully to Year 2000 with a minimum of disruption. However, there can be no absolute assurances that every system will be flawlessly Year 2000 ready by December 31, 1999, or that the Plan will not suffer unexpected material adverse consequences as a result of failure of computer systems or imbedded chips to recognize the Year 2000. It is also possible that the failure of entities beyond the control of the Plan and the State of Alaska could have a material impact on the operation or finances of the Plan.

As the U.S. Securities and Exchange Commission stated in its first report to Congress on the Year 2000 issue:

"It is not, and will not, be possible for any single entity or collective enterprise to represent that it has achieved complete Year 2000 compliance and thus guarantee its remediation efforts. The problem is simply too complex for such a claim to have any legitimacy. Efforts to solve Year 2000 problems are best described as 'risk mitigation.' Success. . . will have been achieved if the number and seriousness of any technical failures is minimized, and they are quickly identified and repaired if they occur."

The Plan agrees with that philosophy and has taken positive, direct steps to remain Year 2000 ready.

To the maximum extent permissible under the Federal Year 2000 Information and Readiness Disclosure Act of 1998, and for all purposes not expressly excluded under that Act, the information provided above is a Year 2000 readiness disclosure statement made under that Act.

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Schedule of Administrative and Investment Expenses
(000s omitted)

Year ended June 30, 1999
with comparative totals for 1998

	<u>Administrative expenses</u>	<u>Investment expenses</u>	<u>Totals</u>	<u>Totals</u>
			<u>1999</u>	<u>1998</u>
Personal services:				
Wages	\$ 1,824	705	2,529	1,991
Benefits	633	210	843	685
Other	<u>4</u>	<u>-</u>	<u>4</u>	<u>36</u>
Total personal services	<u>2,461</u>	<u>915</u>	<u>3,376</u>	<u>2,712</u>
Travel:				
Transportation	48	45	93	81
Per diem	46	36	82	59
Moving	-	-	-	2
Honorarium	<u>-</u>	<u>15</u>	<u>15</u>	<u>9</u>
Total travel	<u>94</u>	<u>96</u>	<u>190</u>	<u>151</u>
Contractual services:				
Accounting and auditing	13	699	712	933
Management and consulting	167	14,626	14,793	13,482
Legal	55	25	80	60
Medical specialists	69	-	69	55
Data processing	477	33	510	246
Other professional services	269	92	361	186
Communications	103	41	144	140
Transportation	3	4	7	4
Advertising and printing	43	172	215	233
Minor repairs and maintenance	3	10	13	9
Rentals/leases	17	46	63	69
Other services	<u>15</u>	<u>165</u>	<u>180</u>	<u>176</u>
Total contractual services	<u>1,234</u>	<u>15,913</u>	<u>17,147</u>	<u>15,593</u>
Equipment	269	34	303	194
Supplies	78	19	97	60
Other	<u>12</u>	<u>-</u>	<u>12</u>	<u>-</u>
Total other	<u>359</u>	<u>53</u>	<u>412</u>	<u>254</u>
Total administrative and investment expenses	<u>\$ 4,148</u>	<u>16,977</u>	<u>21,125</u>	<u>18,710</u>

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)**

**Schedule of Payments to Consultants
Other than Investment Advisors
(000s omitted)**

Years ended June 30, 1999 and 1998

Firm	Services	<u>1999</u>	<u>1998</u>
State Street Bank and Trust Company	Custodian banking services	\$ 835	1,038
William M. Mercer, Inc.	Actuarial services	166	162
The Retirement Concepts Group, Ltd.	Data processing consultants	149	98
Wohlforth, Argetsinger, Johnson and Brecht	PERS Board legal services	52	80
Powertech Toolworks, Inc.	Data processing consultants	200	59
State of Alaska, Department of Law	Legal services	49	39
KPMG LLP	Auditing services	<u>27</u>	<u>22</u>
		<u>\$ 1,478</u>	<u>1,498</u>

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